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FISCAL IMPACT REPORT

ORIGINAL DATE 3/8/07

SPONSOR Campos LAST UPDATED _____ HB _____

SHORT TITLE Debt Limit For Health Care and Colleges, CA SB SJR 11

ANALYST Francis

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	*SEE NARRATIVE	Non-Recurring	General Obligation Bond Capacity

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Department of Health (DOH)

Higher Education Department (HED)

SUMMARY

Synopsis of Bill

Senate Joint Resolution 11 proposes to amend the NM Constitution to raise the maximum state indebtedness based on the assessed value of property. The total indebtedness currently is limited to one percent of assessed value of property statewide. This constitutional amendment would raise the limit to 2 percent if the additional indebtedness is for health care facilities or public post-secondary institutions. This would raise the general obligation bonding capacity.

FISCAL IMPLICATIONS

The 2006 property valuation statewide was \$42.8 billion, as reported by the Department of Finance and Administration. Two percent of this is \$856 million. Due to debt service of \$285 million, the capacity for the 2007 General Obligation bond issue was \$142.5 million. With this constitutional amendment, an additional \$428 million could have been bonded for higher education and health care facilities.

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This would likely result in an increase in the property tax mill rate. The current mill rate is 1.291 per \$1,000 of assessed value. Adding an additional 99 cents per \$1,000 would provide the necessary revenue to pay the additional debt service on \$428 million for 10 years at an interest rate of 4.5 percent. This would add an additional \$33 to the tax liability for a \$100,000 house.

DFA-Board of Finance:

Increased property tax collections would result from the constitutional change proposed by SJR-11. If general obligation bond capacity increases, it is likely that general obligation bond debt will also increase. Since state property taxes secure general obligation bonds, the increased general obligation bond debt would require increased property tax collections. Increased property tax collections would likely be raised through the imposition of higher state property tax mill levy rates.

According to the State Board of Finance financial advisor, SJR-11 will not likely impact the state's debt ratings because the general obligation portion of the state's overall tax-supported debt is relatively low.

SIGNIFICANT ISSUES

General obligation bonds can be issued for any project but all projects must be approved by the voters in a regular general election. The requirement for voter approval effectively restricts the scope of projects that the legislature approves to libraries, schools and senior centers. In 2006, the legislature authorized and the voters approved \$142.5 million in general obligation projects, \$105 million, or 74 percent, of which were for higher education infrastructure projects.

Higher Education Department:

SJR11 would substantially increase the bond capacity for higher education institutions depending on the debt limit exceeding one percent or two percent. Subsequently, more higher education capital projects could be approved with the additional money available.

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